



**UNITED STATES OF AMERICA
THE DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY**

Avista Corporation)

FE Docket EA-101-B

**AMENDED
APPLICATION OF AVISTA CORPORATION
TO AMEND AN EXISTING ORDER (ORDER NO. EA-101-A)
FOR AUTHORIZATION TO TRANSMIT ELECTRIC ENERGY TO
CANADA**

Avista Corporation (Avista Corp. or the Company) pursuant to Section 202(e) of the Federal Power Act ("FPA") 16 U.S.C. Section 824a(e) and 10 C.F.R. Section 205.300 to 205.309, hereby files its Amended Application for Authorization to Amend an existing order (Order No. EA-101-A) to transmit electric energy from the United States to Canada. On or about November 8, 2000, Avista filed its original application to amend Order No. EA-101-A to increase the export limits from 400 MW to 1000 MW. The Department published notice of the application on November 20, 2000, 65 FR 00752 (2000). This amended Application requests that the authorized export limit be changed from 400 MW to an amount not to exceed the reliability and physical limits of the two 500 kV lines authorized by Presidential Permit PP-10, the 230 kV line authorized by Presidential Permit PP-36, and the 230 kV line authorized by Presidential Permit PP-46 (issued to United States of America Bonneville Power Administration (BPA)).

I.

DESCRIPTION OF APPLICANT

The exact legal name of Applicant is Avista Corporation (formerly known as The Washington Water Power Company). Avista Corp. is a corporation formed under Washington law with its principal place of business in Spokane, Washington. The Company operates as an energy, information and technology company with a regional utility operation and subsidiary operations located throughout North America. The utility portion of the Company, doing business as Avista Utilities, is subject to state and federal price regulation. The national businesses are conducted under Avista Capital, Inc. which is the parent company to the Company's subsidiaries.

II.

JURISDICTION

No other known federal, state or local government has jurisdiction over the actions to be taken under the authority sought in this amended application.

III.

COMMUNICATIONS

All service and correspondence concerning this application should be sent to:

Richard L. Storro
Manager, Wholesale Power
Avista Corporation
PO Box 3727
Spokane, Washington 99220-3727

and

R. Blair Strong
Paine, Hamblen, Coffin, Brooke and Miller
717 W. Sprague, Suite 1200
Spokane, WA 99201-3505

IV.

TECHNICAL DISCUSSION OF PROPOSAL

On August 6, 2002, the Department of Energy, Office of Fossil Energy (FE) issued Order No. EA-98-I authorizing a collection of members of the Western Systems Power Pool (WSPP) to individually export electric energy to British Columbia Hydro & Power Authority (B.C. Hydro), or other future Canadian members of the WSPP, under the terms and conditions of WSPP's pooling agreement and service schedules approved by the Federal Energy Regulatory Commission (FERC). Exports under this authorization are delivered to Canada over four international transmission lines owned by the Bonneville Power Administration (BPA), also a member of the WSPP. These include: two 500-kilovolt (kV) lines located at Blaine, Washington, and two 230-kV lines at Nelway, British Columbia. The construction and operation of these facilities was previously authorized by Presidential Permits PP-10, PP-46, and PP-36, respectively.

On October 17, 1994, FE issued Order No. EA-101 authorizing Avista Corp. to export up to 100 megawatts (MW) of firm capacity and associated energy to West Kootenay Power, Limited for only the months of November, December, January, and February. Exports under this Order were to be transmitted to Canada over the BPA 230-kV facilities authorized by Presidential Permit PP-36.

On October 23, 1995, FE issued Order No. EA-101-A authorizing Avista Corp. to export electric energy to Canada at a maximum rate of transmission of 400 MW. Exports under this Order are to be transmitted to Canada over the international transmission facilities previously authorized by Presidential Permits PP-10, PP-36, and PP-46.

Avista Corp. is requesting an amendment to Order No. EA-101-A to change the authorized export limit from 400 MW to the limits of the existing transmission lines to Canada as set forth in Order No. EA-98-I. In particular, Order No. EA-98-I sets forth the following limits:

Condition	PP-36 & PP-46 Limit	PP-10 Limit	Total Export Limit
All lines in service	400 MW	1500 MW	1900 MW
1-500 kV line out	400 MW	300 MW	700 MW
2-500 kV lines out	400 MW	0 MW	400 MW
1-230 kV line out	400 MW	1500 MW	1900 MW
2-230 kV lines out	0 MW	1500 MW	1500 MW

At the present time Avista Corp. does not have any firm long-term contracts with any entity in Canada. But Avista Corp. is a hydroelectric based generating utility that produces system surplus electric power that needs to be marketed from time to time. Unexpected hydro conditions and/or lower system requirements during certain times may result in system surpluses. The Company requires multiple markets available to it for the sale of system surpluses. Canadian markets are particularly desirable for Avista's surpluses.

Canadian entities have a large hydro storage system that can be used to take advantage of Avista Corp.'s system surpluses. Canadian hydroelectric generation can be curtailed when Avista Corp. exports electric energy to Canada during light load hours. Subsequently during heavy load hours, the Canadian entities can generate energy using stored water that was saved as a consequence of Avista Corp.'s earlier surplus sales. The saved water may then be used to generate electricity for delivery into the United States. This arrangement benefits Avista Corp. and other U.S. entities in two ways. First, it provides a market into which to sell surplus energy when it is not usable to Avista Corp. thereby providing additional revenue that help reduce or maintain low costs to Avista Corp.'s customers. Second, it allows the purchase of energy during heavy load hours from Canada to cover peak loads in the United States.

In addition, the Pacific Northwest region is facing periods of peak load deficiencies. Having higher export limits will allow Avista Corp. to send light load hour excess generation to Canada with provisions to have it returned during peak or heavy load hours, thereby providing a significant benefit to the region.

Amending the export authorization will allow the Company to more readily respond to the competitive changes taking place in the electric utility industry. The 400 MW limits in EA-101-A is artificially low, and it should be increased to reflect the fact that Avista Corp. may have transitory surpluses in excess of that amount that could be exported, subject to transmission constraints. Additionally, although Avista Corp. is a member of the WSPP, and therefore may make sales pursuant to Order No. EA-98-I, Order No. EA-98-I authorizes exports only to British Columbia Hydro and Power Authority or other future Canadian members of the WSPP. However, Order No. EA-101-A is not limited to Canadian purchasers that are WSPP members. Increasing Avista Corp.'s authorization for export under Order No. EA-101-A will enhance its ability to operate in a highly competitive market by selling to both WSPP and non-WSPP Canadian entities.

At the present time Avista Corp. has no firm contract obligation to deliver electric energy to entities in Canada. All deliveries will be done on an as available basis as conditions dictate and surpluses are available. In addition, Avista Corp.'s wholesale sales are regulated by the Federal Energy Regulatory Commission (FERC). Avista Corp.'s wholesale energy sales are conducted pursuant to the WSPP Agreement, approved by FERC, or Avista Corp.'s FERC Tariff No. 9. Tariff 9 requires that, in the event that Avista Corp.'s system requires curtailment or interruption in order to maintain system reliability, Avista Corp.'s firm native load and long-term sales (more than 12 months) have priority over shorter-term sales. Thus, there will be no detrimental effect on the ability of Avista to serve retail customers in the United States resulting from exports of electric energy to Canada.

Increasing the export limits to Canada would in no way impair the sufficiency of electric power supply within the U.S. and may enhance the availability of electric power within the United States from Canada. Also exports of electric energy would not impede or tend to impede the coordinated use of the U.S. power supply network. All operating parameters on regional transmission systems would fall inside established industry criteria. Based on this information, the Department of Energy (DOE) should grant Avista Corp. authorization to amend Existing Order No. EA-101-A to authorize Avista Corp. to export electric energy to Canada at a rate up to the limits of the existing transmission lines owned by the Bonneville Power Administration, which limits are set forth in Order No. EA-98-I.

V.

PROCEDURES

Avista Corp. requests that the reporting obligations under the amendment to export Order No. EA-101, that is requested herein, be the same as the reporting obligations under export Order No. EA-98-I. Specifically the Company proposes to furnish quarterly reports to the Department, within 30 days following each calendar quarter, detailing for each month of the previous quarter: (1) the gross amount of electricity delivered, in kilowatt hours; (2) the consideration received for such energy; and (3) the maximum hourly rate of transmission, in kilowatts. If no transactions have been made, a report indicating "no activity" would be filed. These reporting requirements are identical with those currently required of WSPP exporting parties pursuant to Order No. EA-98-I. Avista believes that it would be more efficient if the filing requirements under Order No. EA-98-I and the amendment to Order No. EA-101-A requested herein were the same.

VI.

EXHIBITS AND ATTACHMENTS

There are no exhibits attached to this amended application. The exhibits attached to the application filed with the Office of Fossil Energy dated September 7, 2000 would still apply.

VII.

CONCLUSION

Avista Corp. respectfully requests that this amended application be granted to amend the existing export Order EA-101-A to increase the authorized export limit from 400 MW to an amount not to exceed the reliability and physical limits of the two 500 kV lines authorized by Presidential Permit PP-10, the 230 kV line authorized by Presidential Permit PP-36, and the 230 kV line authorized by Presidential Permit PP-46 (issued to United States of America Bonneville Power Administration (BPA)).

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "R. Storro", is written over a horizontal line.

Richard L. Storro
Manager, Wholesale Power